KJTS Group

Cornerstone Deal but Far from Peak

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KJTS, being Malaysia's only listed energy efficiency player, allows investors to tap into a RM41b cooling energy market, which is seeing a new wave of spending due to regulations. Pivoting from one-off EPCC to cooling as a service, the game-changing RM1.5b Stonepeak JV boosts KJTS's ability to solve upfront capex needs of its clients, allowing quicker scale-up beyond its current project sizes, all while securing recurring income at mid-teens IRR. Meanwhile, its ongoing EPS accretive MUSB acquisition ensures that government-led deals will also be covered. Initiating as our new EE/RE top pick with a street-high TP of RM2.12 and OP call.

RM41b energy efficiency wave. With Malaysia's RE pipeline well underway, the national focus is now pivoting towards energy efficiency driven by National Energy Transition Roadmap (NETR) and the newly enacted Energy Efficiency and Conservation Act (EECA). We estimate a total addressable market of RM41b for Malaysia's cooling energy space where KJTS is well positioned to capture the cusp of this structural uptrend, just like solar stocks in their breakout rally.

No capex, no problem. KJTS stands out as Malaysia's only listed energy efficiency pure-play, backed by deep operational know-hows as the former SEA arm of global giant Dalkia. As most clients prefer to allocate their capex towards core business priorities, this creates a natural demand for KJTS's zero-capex, performance-guaranteed models instead of purely one-off retrofit projects. Under this win-win model, KJTS bears the upfront capex while clients pay, on a staggered basis, for efficiency improvements, chilled water supply, and bundled O&M services, enabling mid-teens project IRRs.

RM1.5b Stonepeak JV: Market is only seeing half the story? KJTS's 10% stake in the RM1.5b Stonepeak JV is a game-changer, unlocking an upsized access to explore cooling energy assets across the region with just a modest RM45m equity injection (based on a 70:30 debt-equity structure). This capital-light setup gives KJTS the financial firepower to scale fast, take on large high-capex projects, and secure long-term energy assets without straining its balance sheet. While the market may focus on short-term EPCC job wins, we believe the real value lies in the 20-year recurring income stream enabled by this JV. Above the ~10% base project IRR in the JV, the bulk of the upside flows directly to KJTS's bottom line via its operational role. This is an underappreciated driver, in our view, adding up to RM1.40/share.

MUSB, a strategic showcase to more government deal. KJTS is reviving MUSB, a government legacy asset, with a target to deliver at least a 5-fold increase to RM10m PAT post-retrofit, implying a more palatable forward PE of 9x. More than a turnaround story, MUSB is a strategic showpiece, positioning KJTS as a front-runner to capture a slice of the RM5b public sector retrofit opportunity.

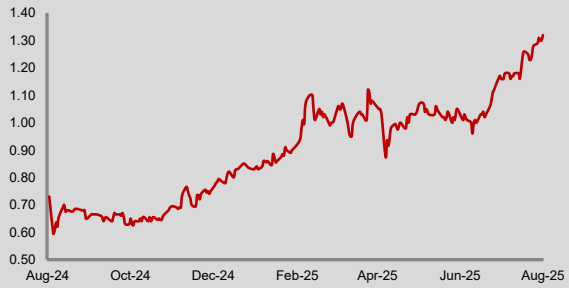
Forecasts. We project FY25F/FY26F earnings growth of 21%/71% driven by: (i) stronger EPCC wins of RM40m/RM150m, (ii) three new concession contracts contributing at least RM15m in recurring revenue, (iii) maiden full-year MUSB contributions of RM5.3m in FY26.

New EE/RE top pick with 61% upside. We initiate coverage with OUTPERFORM at a street-high TP of RM2.12 based on SoP valuation: (i) 16x FY26F PER for EPCC and (ii) DCF for its concession assets. We factor in Stonepeak's potential at RM1.40/share which could lift ROE above 30%, potentially triggering another re-rating.

OUTPERFORM

Price : **RM1.32**
Target Price : **RM2.12**

Share Price Performance



KLCI	1,533.35
YTD KLCI chg	-6.6%
YTD stock price chg	59.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KJTS MK EQUITY
Market Cap (RM m)	909.2
Shares Outstanding	688.8
52-week range (H)	1.35
52-week range (L)	0.57
3-mth avg. daily vol.	1,157,839
Free Float	42%
Beta	1.0

Major Shareholders

Wee Tah Poh	26.9%
Lee Kok Choon	26.9%
Deutsche Bank AG	6.5%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	137.7	190.3	443.0
EBIT	10.8	26.3	44.0
PBT	10.6	26.0	43.6
Net Profit	**8.5**	**19.7**	**33.1**
Core Net Profit	**14.9**	**18.0**	**30.8**
Consensus (CNP)	-	32.4	40.8
Earnings Revision (%)	-	-	-
Core EPS (sen)	2.2	2.6	4.5
Core EPS growth (%)	82.8	20.7	71.2
NDPS (sen)	0.3	0.5	0.9
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	61.0	50.6	29.5
Price/BV (x)	8.0	8.7	6.1
Net Gearing (x)	(0.6)	0.1	(0.4)
Dividend Yield (%)	0.2	0.4	0.7

COMPANY OVERVIEW

KJTS stands out as the only listed energy efficiency player in Malaysia focused on large-scale centralised cooling systems, delivering space cooling for commercial and industrial buildings while cutting energy use and carbon emissions. Originally the Southeast Asian arm of global energy efficiency giant Dalkia Group, KJTS was acquired through management buyout led by Lee Kok Choon and Sheldon Wee in 2014, following Dalkia's strategic exit from the region. Beyond cooling, KJTS also runs cleaning and facilities management services. In FY24, the revenue breakdown was: (i) cooling energy (48%), (ii) facilities management (10%), and (iii) cleaning services (42%). It currently operates in Malaysia, Thailand and Singapore.

Helming the company are:

1. **Mr Lee Kok Choon (managing director),** who is one of the major shareholders (26.9% stake) and holds a Bachelor of Engineering in Mechanical Engineering from Monash University, Australia. With 22 years of experience in the cooling energy industry—including his tenure at KJ Engineering, formerly owned by Dalkia Asia Pte Ltd—and was appointed as managing director in May 2013. Under his leadership, KJTS has expanded its operations to Singapore and Thailand.
2. **Mr Sheldon Wee Tah Poh (executive director),** who is also one of the major shareholders (26.9% stake), brings 25 years of experience in the building support services industry. Prior joining KJTS in 2006, he began his career at PWB (M) Sdn Bhd, a cleaning company founded by his father. At KJTS, he oversees business development, marketing, and corporate finance.

INVESTMENT MERITS

We like KJTS for:

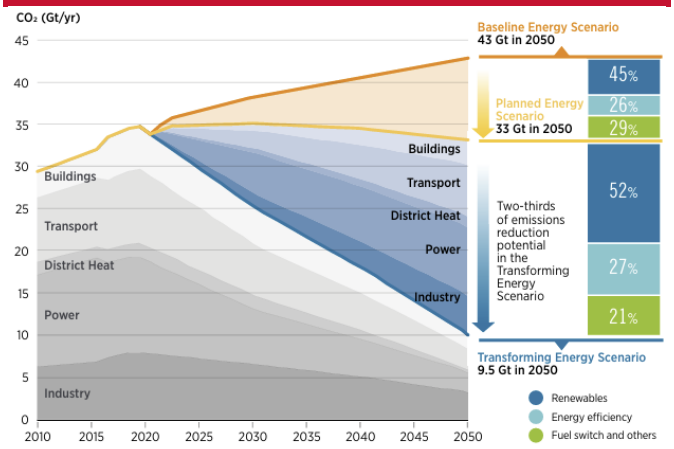
1. **Malaysia's RM41b energy efficiency pie is an attractive avenue to grow its higher-margin recurring income concession base.** With RE pipeline well underway, Malaysia is now shifting focus to energy efficiency initiatives backed by NETR and the newly enacted Energy Efficiency and Conservation Act (EECA). We estimate a total addressable market of RM41b with not just one-off EPCC but a recurring income base in the making as KJTS offers district cooling system as a service. As the only listed player focused on this space, KJTS is perfectly positioned to capture this structural uptrend, just like solar stocks in their early rally.
2. **The underappreciated 10% JV with Stonepeak**, gives it access to RM1.5b in capital to co-develop, operate, and invest in cooling energy assets across the region where KJTS would only need to inject RM45m in equity for its equity stake, assuming a 70:30 debt-equity ratio. This capital-light model gives KJTS significant financial leverage to scale up quickly, take on larger high-capex cooling projects, and secure strategic energy assets without burdening its own balance sheet. The RM1.5b extends beyond securing more EPCC jobs for KJTS, it also sets the stage for 20 years of recurring income with minimal capital outlay. This JV is the re-rating catalyst, potential adding up to RM1.40/share in our view. Given that the total energy efficiency pie is RM41b, with RM14b just for retrofit, we think it is sensible to impute the longer-term value for Stonepeak as the RM1.5b makes up just ~10% of the retrofit market. Our sensitivity suggests that every RM100m difference in capital deployment by Stonepeak RM1.5b will have 9.3 sen impact to our TP.
3. **MUSB paves the way for government asset transformation strategy.** KJTS is reviving MUSB, a legacy asset, with an exclusive 153MW electricity supply deal and district cooling plant in KL Sentral. With the target to deliver at least a 5-fold increase to RM10m PAT annually post-retrofit (from low base due to its legacy nature), this translates to a more palatable forward acquisition PE of 9x. We believe MUSB is a credible addition to KJTS portfolio, positioning KJTS as a front-runner to grab a chunk of the RM5b public sector retrofit market, covering at least 284,500 RT cooling capacity. Also, MUSB will bring in a new revenue stream from electricity supply, which makes up 80% of MUSB's turnover.

1. Catching the RM41b energy efficiency wave early

Energy efficiency is the foundation of net zero. Often called the "first fuel" in clean energy transitions, energy efficiency delivers some of the fastest, most cost-effective ways to cut CO_2 emissions while also lowering energy bills and improving energy security. According to IRENA, energy efficiency accounts for 27% of the emissions reductions needed to reach net zero, making it the second most important contributor after renewables. While renewables reduce our dependence on fossil fuels, energy efficiency plays a different but equally crucial role as it reduces overall demand, making energy systems leaner, more resilient, and better suited to integrate intermittent renewable sources like solar and wind.

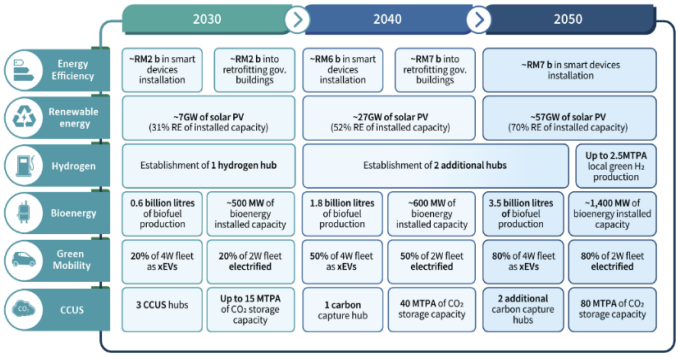
Under the NETR, the two core strategies are: (i) optimise consumption, and (ii) shift to renewables. While RE has led the charge, energy efficiency is finally getting its spotlight when the government introduced the Energy Efficiency and Conservation Act (EECA) to target inefficiency in both new and existing buildings. The opportunity is huge, especially in the public sector, where 60–70% of government buildings are inefficient with Building Energy Index (BEI) values above 200 (the acceptable range is below 180). This has triggered a RM9b retrofitting wave which we believe covers at least a total of 284,500 RT cooling capacity. Refining this further, assuming ~59% of the retrofit capex relates to chiller plant, the total addressable market for public sector strands at ~RM5b (see Exhibit 4).

Exhibit 1: Global CO_2 Emissions Reduction Potential



Source: IRENA

Exhibit 2: NETR Investments

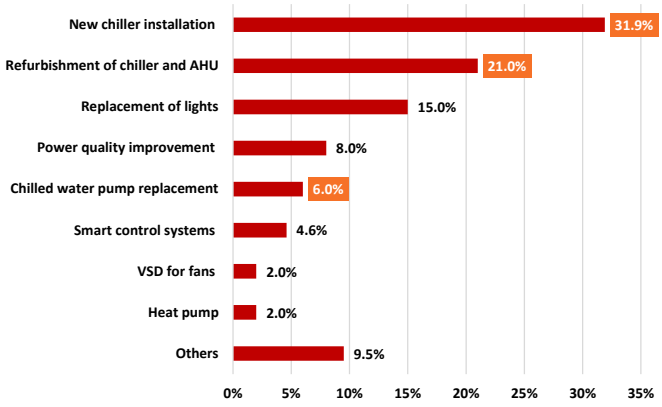

2030
2040
2050
Energy Efficiency
Renewable energy
Hydrogen
Bioenergy
Green Mobility
CCUS
~RM2 b in smart devices installation
~RM2 b into retrofitting gov. buildings
~RM6 b in smart devices installation
~RM7 b into retrofitting gov. buildings
~RM7 b in smart devices installation
~7GW of solar PV (31% RE of installed capacity)
~27GW of solar PV (52% RE of installed capacity)
~57GW of solar PV (70% RE of installed capacity)
Establishment of 1 hydrogen hub
Establishment of 2 additional hubs
Up to 2.5MTPA local green H₂ production
0.6 billion litres of biofuel production
~500 MW of bioenergy installed capacity
1.8 billion litres of biofuel production
~600 MW of bioenergy installed capacity
3.5 billion litres of biofuel production
~1,400 MW of bioenergy installed capacity
20% of 4W fleet as xEVs
20% of 2W fleet electrified
50% of 4W fleet as xEVs
50% of 2W fleet electrified
80% of 4W fleet as xEVs
80% of 2W fleet electrified
3 CCUS hubs
Up to 15 MTPA of CO₂ storage capacity
1 carbon capture hub
40 MTPA of CO₂ storage capacity
2 additional carbon capture hubs
80 MTPA of CO₂ storage capacity

Source: NETR

Exhibit 3: Public-owned District Cooling Plants

Source: ST

Exhibit 4: Energy Efficiency Measures



Source: IEA, Kenanga Research

Game-changing policy targeting inefficient users. The Energy Efficiency and Conservation Act (EECA), effective earlier this year, marks a major policy shift targeting inefficient energy users, especially in the commercial and industrial sectors. The act enforces mandatory energy audits and introduces national minimum energy performance standards, targeting: (i) industrial and commercial users consuming >6GW annually, (ii) office buildings with a gross floor area exceeding 86,000 sq ft, and (iii) office buildings of Building Energy Intensity (BEI) rating of 2 stars and below.

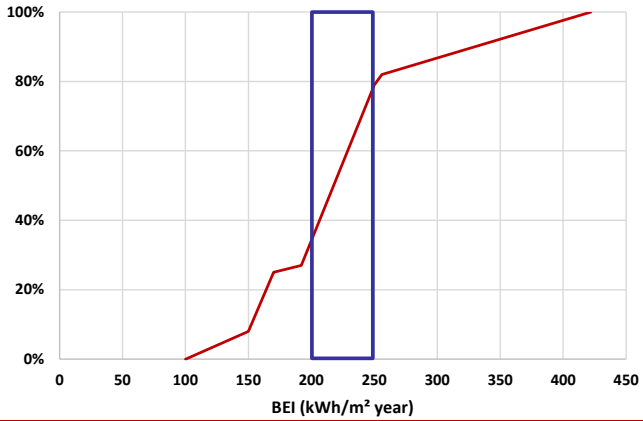
Within the commercial segment, comprising office buildings, hotels, and hospitals, we estimate ~73% of total electricity consumption is impacted not just by the EECA but also self-imposed cost efficiency efforts, especially buildings with BEI levels above 200. To achieve BEI<200, many of these buildings will need to retrofit their chiller systems, which could result in energy savings of up to 30%. Assuming 58% of total electricity cost come from cooling and RM2K/kWh retrofitting capex, we estimate Malaysia's commercial sector holds at least RM14b worth of cooling retrofit potential (see Exhibit 8).

Exhibit 5: BEI Rating

Star	BEI Range
★★★★★	BEI ≤ 100
★★★★	100 < BEI ≤ 130
★★★	130 < BEI ≤ 160
★★	160 < BEI ≤ 250
★	BEI > 250

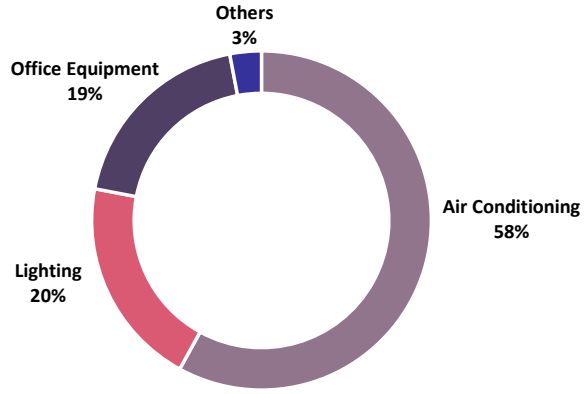
Source: PTM

Exhibit 6: Commercial Sector's BEI



Source: Kenanga Research

Exhibit 7: Electricity Cost Breakdown (Buildings)



Source: ST, Kenanga Research

Exhibit 8: Total Addressable Market (Commercial)

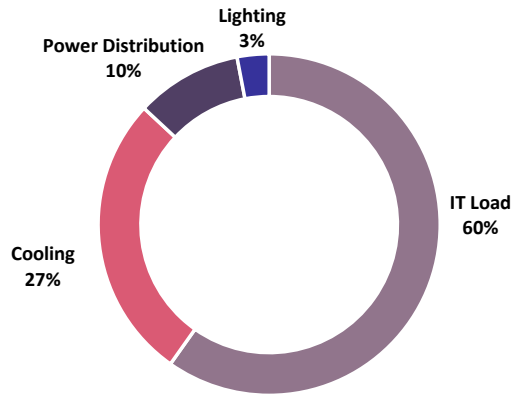
Basis	Value
Monthly Electricity Usage (GWh)	11,968
Conversion to Hour	720
Hourly Usage (kWh)	16,622,500
Affected Usage (%)	73%
Affected Usage (kWh)	12,134,425
Cooling % of Total Electricity Cost	58%
Affected Cooling Usage (kWh)	7,037,967
Chiller retrofit capex per kW (RM)	2000
Total Addressable Market (RM'b)	14

Source: Kenanga Research

With incoming new DC guidelines, cooling becomes critical. Malaysia's DC boom is triggering a wave of demand efficient cooling system. In response, the government is finalising sustainable development guidelines specifically for DCs, focusing on energy and water efficiency. New regulations will centre around three key performance metrics: (i) power usage effectiveness (PUE), carbon usage effectiveness (CUE), and water usage effectiveness (WUE).

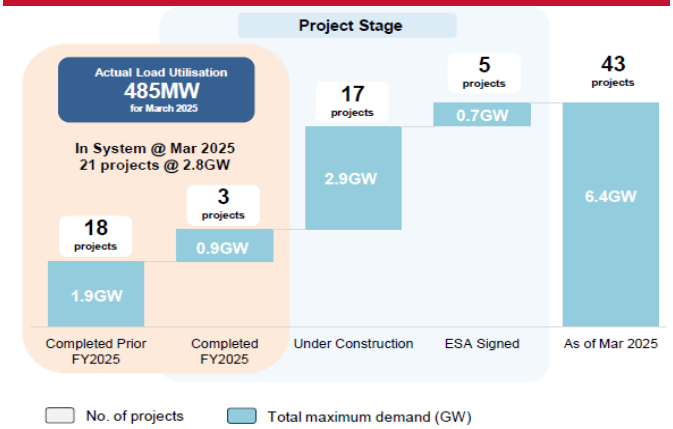
In the APAC region, average DCs operate at a PUE of 1.68, while green DCs aim for PUE levels of 1.2 or lower. Achieving this lower threshold is critical as cooling represents the second-largest component of a DC's total electricity consumption (see Exhibit 9), making it a key lever to reduce operational costs and getting "green" DC status. District cooling, with one of the highest coefficients of performance (COP), is emerging as the preferred solution for energy-hungry DCs aiming to meet sustainability targets. With data centre capacity surging to 3.6GW, we estimate a RM22b market for new district cooling systems as every 1MW of data centre capacity translates into ~RM6m in potential jobs. KJTS is well positioned to ride this wave.

Exhibit 9: Total DC Construction Cost Breakdown



Source: Kenanga Research

Exhibit 10: DC Outlook



Source: TENAGA

Exhibit 11: Chiller Comparison

Type of Chiller	Coefficient of Performance (COP)	Interpretation
*Hybrid System (Thermal Storage + District Cooling System)	>6.0	Very Efficient
*District Cooling System	~5.17	Efficient
Water Cooled	~4.24	Fair
Air Cooled	~2.51	Poor

*Source: Company, Kenanga Research, *KJTS Capabilities*

RM41b energy efficiency pie isn't one-off, it's a recurring income base in the making. While the RM41b energy efficiency capex pie looks promising, these are project-based works that usually conclude within a year. As most clients prefer to allocate their capex towards core business priorities, this creates a natural demand for KJTS's zero-capex, performance-guaranteed models instead of purely one-off retrofit projects. Under this win-win model, KJTS bears the upfront capex while clients pay, on a staggered basis, for efficiency improvements, chilled water supply, and bundled O&M services.

For plants with limited performance upside due to existing efficiency, we see KJTS opting for a larger fixed capex recoup plus a smaller recurring service income (chilled water supply + O&M). In such cases, we project more modest IRRs of ~10%. But for older, less efficient plants, which we believe are KJTS primary targets, these projects offer a more performance-based return, enabling mid-teens project IRRs. This positions KJTS not just as a pure EPCC contractor but as a one stop energy efficiency provider building a utility-like income base in a rapidly growing market.

2. The underestimated JV with Stonepeak

Strategic JV with USD3.3b Stonepeak Asia infrastructure fund. Stonepeak, a New York-based PE fund, has raised a USD3.3b Asia Infrastructure Fund to invest in essential infrastructure, including energy transition and the repositioning of legacy energy platforms. Committed to invest in infrastructure that will support equitable, reliable and affordable energy transition. It is at the forefront of investing across energy value chain, from RE to infrastructure enabling cleaner fuels and mass electrification.

KJTS has been selected as a JV partner, holding a 10% stake alongside Stonepeak's 90%, to co-develop, operate, and invest in cooling energy assets across the region. The JV has committed RM1.5b in funding, with a clear mandate to build long-term, recurring income from owning and operating cooling infrastructure. Under the agreement, KJTS is appointed the exclusive EPCC and O&M provider for all JV projects. Assuming a typical 70:30 debt-to-equity structure, KJTS would only need to inject RM45m in equity to unlock RM1.5b worth of project value. This capital-light model gives KJTS significant financial leverage to scale up quickly, take on larger high-capex cooling projects, and secure strategic energy assets without burdening its own balance sheet.

Is the market missing the full picture? The RM1.5b is not just about securing more EPCC jobs for KJTS, it also sets the stage for 20 years of recurring income with minimal capital outlay. Besides fully recognising EPCC revenue over five years, KJTS stands to benefit from two long-term revenue streams: (i) profit share from its 10%-owned JV and (ii) recurring income from O&M, chilled water supply, and efficiency savings. The JV itself may only generate a ~10% project IRR (vs mid-teens project IRR) as we believe the bulk of the upside flows straight to KJTS's bottomline through its operational role.

Recurring income is the real deal. We estimate the RM1.5b JV capital will be deployed progressively over five years starting FY26, following an S-curve rollout with recognition peaking in FY28, and tapering off by FY30 (see Exhibit 13). Under the agreement, KJTS will undertake 100% of the EPCC works, which typically have a 6–12-month execution window. We assume a net margin of ~10% for KJTS on these contracts. On the recurring income side, we expect the JV to pursue its two existing project models: (i) Retrofit-Operate-Transfer (ROT), similar to the KIP REIT model (announced 5 Mar 2025) and (ii) Retrofit-Operate-Own (ROO), similar to the MUSB model (announced 3 Feb 2025).

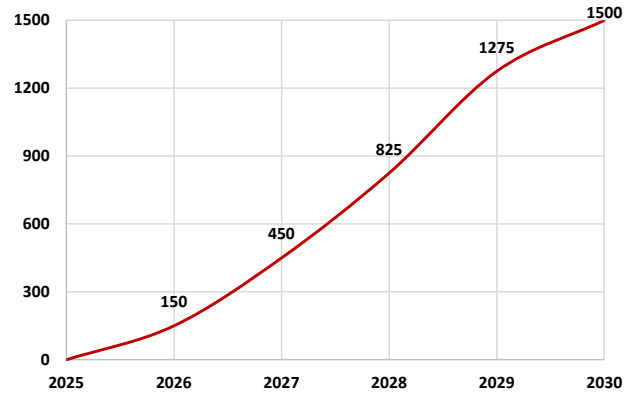
Based on our assumptions, the RM1.5b funding pool could support: (i) 30 ROT-type projects (KIP REIT-style) and (ii) 8 ROO-type projects (MUSB-style) (see Exhibit 14). Assuming FY27 marks the first full year of EPCC delivery and the initial cooling assets coming online, we estimate KJTS could generate RM32.5m in earnings which could account for ~59% of FY27F net profit forecast, underscoring the JV's significance as a near-term earnings catalyst (see Exhibit 15). This is an underappreciated driver, in our view, adding up to RM1.40/share which could lift ROE above 30%, potentially triggering another re-rating.

Exhibit 12: ROT vs ROO Model

	KIP REIT	MUSB
Project Type	Retrofit-Operate-Transfer (ROT)	Retrofit-Operate-Own (ROO)
Capex	RM25m	RM91m (Acquisition: RM66m + Retrofit: RM25m)
Ownership	KIP REIT	KJTS
Earnings Driver	1. Fixed – Capex Recovery 2. Variable – O&M + Chilled Water Supply + Above 15% Energy Savings	Improving plant efficiency to RM10m from RM1.6m
Project IRR	~13%	~19%

Source: Kenanga Research

Exhibit 13: RM1.5b Order Book Deployment Timeline



Source: Company, Kenanga Research

Exhibit 14: RM1.5b Assumption

Year	Orderbook (RM'm)	Number of ROT (KIP REIT)	Number of ROO (MUSB)
2026	150	6	0
2027	300	5	2
2028	375	7	2
2029	450	8	3
2030	225	4	1
Total	**1500**	**30**	**8**

Source: Company, Kenanga Research

Exhibit 15: Stonepeak Potential

	Details	Value (RM' m)
	Initial Capital of JV	**1500**
	(i) Stonepeak – 90% stake	1300
	(ii) KJTS – 10% stake	150
	Two Potential Project Model:	
	(i) Retrofit-Operate-Transfer (ROT)	
	(ii) Retrofit-Operate-Own (ROO)	
1	**ROT – KIP REIT**	
	Retrofit Capex	25.3
2	**ROO - MUSB**	
	Acquisition Price	65.5
	Retrofit Capex	25.0
	Total Capex	90.5
	Number of ROO / ROT from this JV	
	50% ROT	30 Projects
	50% ROO	8 Projects
	Projecting Three Revenue Stream for FY27F (First Full Year Contribution):	
1	**EPCC Revenue (100%)**	
	Revenue	270.0
	PAT (10% margin)	27.0
2	**Contribution from JV (10% stake)**	
	PAT	1.3
3	**Recurring income from O&M, Chilled Water Supply and Efficiency Gains**	
	PAT	4.2
	Total Potential FY27F PAT from Stonepeak	**32.5**

Source: Kenanga Research

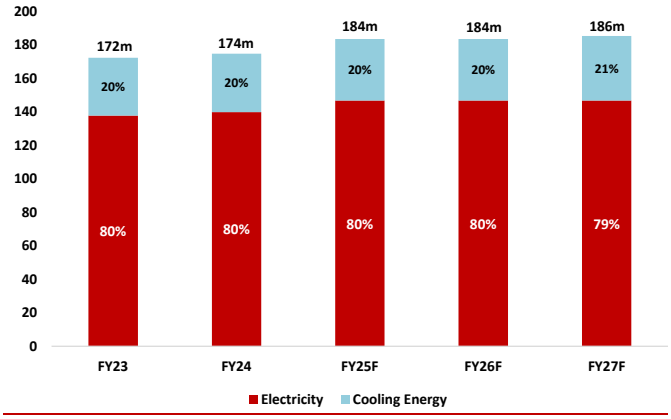
RM1.5b just a start? Stonepeak's USD3.3b Asia Infrastructure Fund was ~43% deployed with a net IRR of 9.4% as of Sep 2024. The current RM1.5b commitment to the JV represents only 10% of the total fund size, leaving ample room for follow-on capital deployment. We believe KJTS is well-positioned to secure more funding, given its project model can deliver IRRs above 10%, outperforming typical RE infrastructure yields of 8–10%. With a RM41b total addressable market for cooling energy solutions in Malaysia alone, and a scalable delivery and O&M platform in place, the JV is set up for sustained growth. KJTS's regional presence further strengthens its upside. Its presence in Thailand and strategic MoU with Envicool Co Ltd to deliver energy-efficient cooling solutions for DCs across ASEAN align well with Stonepeak's Asia-focused mandate, offering a broader runway for deployment beyond Malaysia.

3. MUSB paves the way for government asset transformation strategy

Strategic gateway into government assets. KJTS is acquiring a 100% stake in MUSB for RM65.5m at 42x FY24 PER with completion expected by 2HFY25. MUSB holds an exclusive 153MW electricity supply deal and district cooling plant within KL Sentral. While its acquisition PER may look expensive, we believe MUSB is a credible addition to KJTS portfolio to showcase its ability to turn around legacy assets into more efficiently run and profitable ones. With the target to deliver at least RM10m PAT annually post-retrofit, this translates to a more palatable forward PE of 9x.

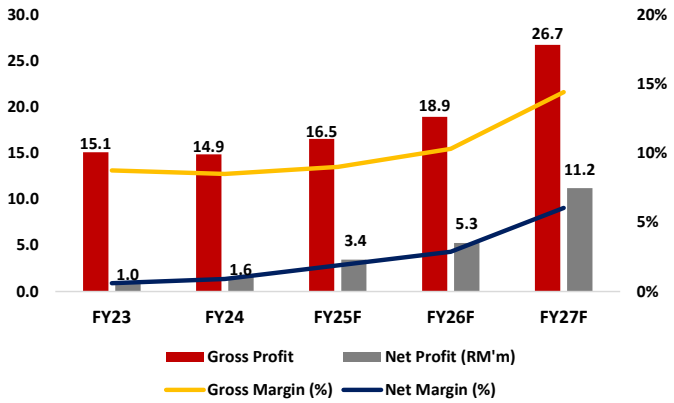
This acquisition marks its maiden entry into the public sector space, positioning KJTS as a front-runner in the RM5b retrofit market, covering at least 284,500 RT cooling capacity (see Exhibit 18). Through its Stonepeak JV, it is currently evaluating 2–3 projects which we believe are tied to government-linked retrofit opportunities. Also, MUSB will bring in a new revenue stream from electricity supply, which makes up 80% of MUSB's turnover.

Exhibit 16: MUSB Revenue Breakdown



Source: Company, Kenanga Research

Exhibit 17: MUSB Net Profit and Margin



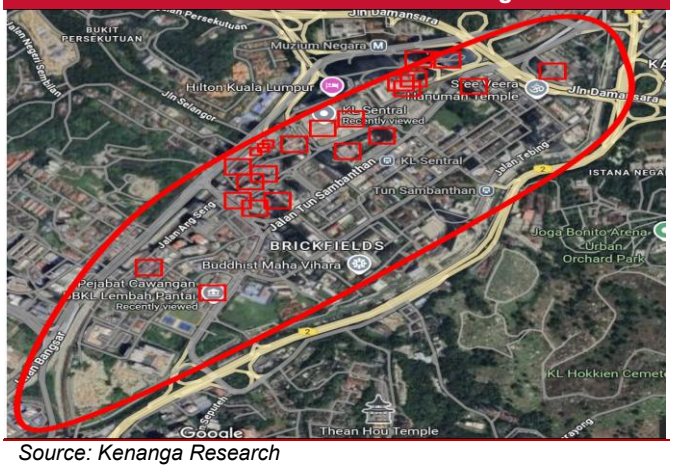
Source: Company, Kenanga Research

Earnings momentum to continue post-retrofit. Earnings growth remains compelling even after retrofit benefits are factored in. With chilled water tariffs fully indexed to electricity rates, future TNB hikes will flow straight to the bottom line. We estimate current chilled water pricing at RM0.40–0.50/RTh, with adjustments tied to electricity cost movements. Beyond chilled water, the electricity distribution segment—its largest revenue contributor—is also expected to benefit from tariff adjustments. Further upside comes from the fact that the system currently serves only 10 out of at least 22 major buildings in KL Sentral and with new developments underway, we see 5–8% annual growth in customer connections, sustaining strong earnings momentum beyond the retrofit cycle. Overall, an attractive FY26F/FY27F PER of 17x/8x post-retrofit capex which we value at RM0.21 per share.

Exhibit 18: Public-owned District Cooling Plants

Source: ST

Exhibit 19: KL Sentral Commercial Building



Source: Kenanga Research

Not overly concerned by delays and we have conservatively assumed post-retrofit recurring from 4QFY26. MUSB completion date has been extended twice, the latest being to Nov 2025. We are not overly concerned here as we believe the delays are related to regulatory approvals which often takes time. In our model, we have conservatively assumed retrofit completion by end-3QFY26. We expect MUSB to contribute RM5.3m in FY26, with full-year earnings of RM11.2m kicking in from FY27 post-retrofit.

FINANCIALS HIGHLIGHTS

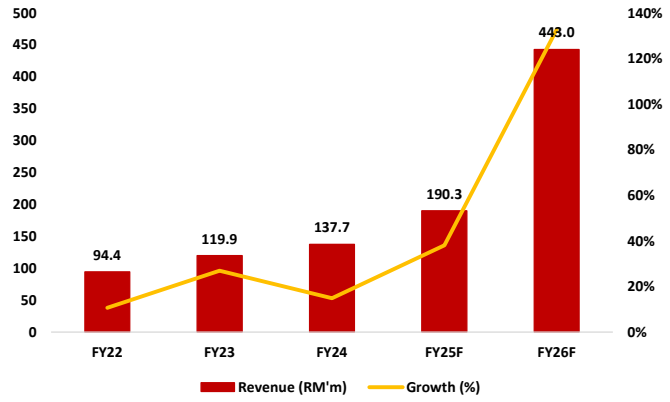
Financial review. KJTS reported a decent 3-year topline CAGR of 32% from FY21 to FY24, driven by cooling energy EPCC works, which more than doubled, reflecting rising demand for its energy efficiency solutions and a 1.5-fold increase from cleaning services, supported by expanded scope and a growing clientele base. Cooling energy as a service saw fluctuations but held steadily above the RM25m mark while facilities management services were largely stable. Over this period, recurring revenue remains a dominant contributor at more than 75% mix. Profitability-wise, CNP margins largely sustained around the 7% mark but jumped to 11% in FY24 likely due to a better project mix and improving scale.

Financial forecast. We are projecting FY25F/FY26F earnings of RM18.0m/RM30.8m (implying +21%/+71% growth) driven by:

1. A stronger EPCC order book underpinned by the government's energy efficiency initiatives with order book win assumptions of RM40m/RM150m for FY25/FY26, mainly from Stonepeak.
2. Three new concession contracts coming online, contributing at least RM15m in recurring annual revenue.
3. Maiden contribution from MUSB of RM5.3m in FY26F.

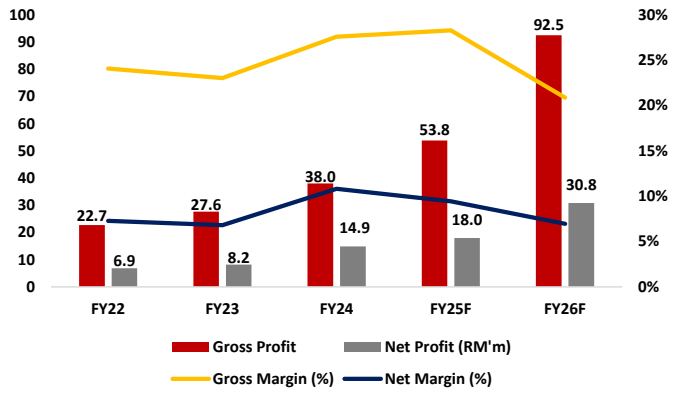
As a result, its GP margins are expected to drop to 7%/8% in FY25F/FY26F due to higher EPCC mix, which is projected to make up 29%/32% of group revenue, above the historical 15–25% range. That said, we view the EPCC ramp-up positively, as it accelerates the build-up of high-margin recurring concession income beyond our forecast years.

Exhibit 20: Revenue and Growth



Source: Company, Kenanga Research

Exhibit 21: Net Profit and Margin



Source: Company, Kenanga Research

VALUATION

We initiate coverage with an **OUTPERFORM** call and TP of RM2.12 based on SoP valuation, valuing its: (i) EPCC segment at 16x FY26F PER, in line with average historical 1-year forward PER of the cooling energy EPCC space and (ii) concessions assets via DCF to reflect their long-term cash flow nature. We factor in Stonepeak's potential at RM1.40/share where the RM1.5b only makes up ~10% of the retrofit market. This could also lift ROE above 30%, potentially triggering another re-rating.

Exhibit 22: Sum-of-Parts (SoP) Valuation

Business/Asset	Stake	Value (RM m)	Basis
EPCC		224.0	16x FY26F PER
Centara Grand Beach Resort & Villas Hua Hin, Thailand	49%	5.6	DCF with a discount rate of 5.9%
7 KIPMall (Under KIP Reit)	100%	17.0	DCF with a discount rate of 5.9%
MUSB	100%	145.4	DCF with a discount rate of 5.9%
Centara Grand Mirage Beach Resort Pattaya, Thailand	49%	1.0	DCF with a discount rate of 5.9%
Menara Takaful Malaysia in Kuala Lumpur	100%	1.2	DCF with a discount rate of 5.9%
Centara Grand Hotel at Central World in Bangkok, Thailand	49%	1.0	DCF with a discount rate of 5.9%
Other Assets		85.6	DCF with a discount rate of 5.9%
Stonepeak Potential		965.3	
Net (Debt) / Cash		12.2	
Asset Valuation		**1,458.3**	
Number of Shares (m shares)		688.8	
TP (RM/share)		**2.12**	

Source: Kenanga Research

KEY RISKS RELATING TO THE BUSINESS AND INDUSTRY

Termination or delay risk from Stonepeak JV. KJTS's ability to scale into large, capital-intensive energy efficiency projects is highly dependent on its JV with Stonepeak, which provides access to up to RM1.5b in funding with minimal equity commitment. Any early termination, withdrawal, or prolonged delays in execution—whether due to strategic shifts, funding issues, or JV underperformance—could significantly weaken KJTS's financial capacity and limit its competitiveness in securing large-scale concession assets. Under our base case, we assume full rollout over five years. A two-year delay to seven years with lower-than-expected EPCC margins from Stonepeak projects would reduce our TP to RM1.84 (from RM2.12).

Escalation in project costs. EPCC (engineering, procurement, construction, and commissioning) contract values are typically based on initial cost estimates and project schedules. Any unforeseen escalation in material prices, labour costs, subcontractor fees, or delays in project execution may lead to cost overruns, which could compress margins or result in losses if not adequately covered by variation clauses.

Concession asset termination risk. Early termination or suspension of concession assets may materially affect KJTS's operations and recurring income streams. Risks include termination due to client default, non-performance, financial distress, court rulings, or mutual agreement, all of which could lead to earnings volatility and weaken long-term cash flow visibility.

Rollback of government energy efficiency policy. Demand for retrofitting and concession assets is correlated to government policies. Any delay, softening, or reversal in policy execution may dampen market sentiment, leading to weaker demand for cooling energy services. This, in turn, could slow the adoption of energy efficiency solutions in Malaysia relative to current expectations.

ESG

KJTS approaches sustainability from the economic, environmental, social and governance lens, and identifies **anti-corruption & anti-bribery (governance), health & safety (social) and energy management (environmental) as the top three material matters**. Having conducted a material assessment in FY2023, the group is committed to perform a formal assessment every three years to ensure that its sustainability disclosures and measures are aligned with its business strategy. An independent third-party has been engaged to carry out an internal audit on the adequacy and effectiveness of KJTS's sustainability practices to mitigate potential risks, thus safeguarding business continuity.

KJTS has started putting in place the building blocks of a sustainability framework, with key environmental and safety certifications as well as policies covering quality, health, safety & environmental (QHSE), anti-corruption and bribery, whistleblowing, code of conduct & ethics, gender diversity, corporate disclosure, and gift & donation.

1. Economic

The group is committed to long-term earnings sustainability by focusing on concession-style recurring income streams that reduce earnings volatility. With a growing portfolio of energy efficiency assets, the group's business model is built on performance-based contracts that align client outcomes with environmental impact, driving both financial resilience and sustainable growth.

2. Environment

The group's environmental sustainability measures focus on **reducing energy consumption** and **GHG emission** effectively in line with its commitment to the net-zero goal. The QHSE team leverages its own **integrated carbon & energy management platform (ICEP)** to quantify emissions across from fuel, electricity, and employee travel for accurate data collection and analysis that will help the group to minimize its carbon footprint. KJTS's electricity and fuel consumption increased by 17% and 64% respectively in FY24 from FY23 due to the addition of new operational sites.

The group is **ISO 14001:2015 Environmental Management System-certified**, which is an excellent first step in adopting globally-recognized standards and implementing proactive measures to minimize its environmental footprint, comply with relevant legal requirements, and achieve their environmental objectives.

3. Social

Workplace safety is one of KJTS's top material matters. The group's **ISO 45001:2018 certification** shows the commitment to international safety benchmarks. Its QHSE practices are commendable, resulting in zero cases of fatality for FY23 and FY24, and an improved lost time incident rate of 0.33 in FY24 from 1.25 in FY23. There were also zero complaints recorded on human rights violations.

In line with the Malaysia Code of Corporate Governance, KJTS has achieved **30% female representation** at board level with two females out of six members, which is also aligned with the group's Gender Diversity Policy. The group continues to prioritize **local suppliers with 99.58% spending**.

4. Governance

Integrity is a fundamental pillar in KJTS, with strict compliance of its **Anti-Bribery and Corruption Policy** and **Code of Conduct & Ethics** for employees and business partners. There were zero incidents of corruption and whistleblowing reported in FY24. **Suppliers** must sign an **integrity pledge** and commit to adhere to the group's anti-corruption and bribery policy before being onboarded onto the KJTS supplier network. The group aims to **enhance supplier engagement**, transparency, and accountability through initiatives such as **ESG performance monitoring**, supplier training programmes, and the introduction of ESG clauses into our contractual agreements in FYE25.

On **corporate disclosure**, KJTS has identified spokespersons to enhance investor relations and communications with stakeholders, ensuring accurate, transparent, and timely dissemination of material information.

ESG scoring

In terms of disclosure and reporting, KJTS has much room for improvement, for example adopting GRI standards, putting in place renewable energy, water, waste & effluent management initiatives, refining emission reporting (such as measuring intensity), and stepping up training on anti-corruption and bribery. Nevertheless, we see a good start to its sustainability journey with key policies already implemented. Therefore, we accord an overall ESG neutral score of 3 stars.

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Energy Efficiency	★	★	☆		
	Cybersecurity & Data Privacy	★	★	★		
	Effluent/Waste Management	★	★			
	Ethical Practices	★	★	★		
	Supply Chain Management	★	★	★		
	Corporate Disclosure	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Income Statement

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	94	120	138	190	443
EBIT	9	9	11	26	44
PBT	9	9	11	26	44
Taxation	-2	-2	-2	-6	-11
Net Profit	7	7	8	20	33
Core Net Profit	**7**	**8**	**15**	**18**	**31**

Balance Sheet

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	1	1	2	96	94
Intangibles	2	2	2	2	2
Other FA	15	13	19	19	19
Inventories	0	0	0	1	0
Receivables	16	22	27	35	83
Other CA	21	28	34	45	53
Cash	10	14	68	8	22
Total Assets	**65**	**81**	**151**	**206**	**272**
Payables	11	10	14	17	38
ST Borrowings	1	1	1	1	1
Other ST Liability	13	16	17	17	17
LT Borrowings	4	3	3	64	65
Other LT Liability	0	0	2	2	2
Net Assets	**36**	**50**	**114**	**105**	**148**
Share Capital	1	42	99	99	99
Retained Earnings	35	43	47	6	49
Other Reserves	0	-34	-33	0	0
Non-controlling Interest	0	0	0	0	0
Total Equity	**36**	**50**	**114**	**105**	**148**

Cashflow Statement

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	0	1	-2	11	14
Investing CF	-2	-1	1	-96	-1
Financing CF	-0	5	55	61	1

Financial Data & Ratios

FY Dec	2022A	2023A	2024A	2025F	2026F
Growth (%)					
Revenue	10.7	27.0	14.9	38.2	132.8
EBIT	20.4	4.2	15.3	144.3	67.1
PBT	15.9	3.4	17.0	145.8	68.0
Net Profit	19.6	2.8	14.9	132.9	68.0
Core Net Profit	16.2	18.7	82.8	20.7	71.2
Profitability (%)					
Operating Margin	9.5	7.8	7.8	13.8	9.9
PBT Margin	9.2	7.5	7.7	13.6	9.8
Core Net Margin	7.3	6.8	10.8	9.4	6.9
Effective Tax Rate	17.9	18.5	19.9	24.2	24.1
ROA	10.5	10.1	9.9	8.7	11.3
ROE	19.0	16.3	13.1	17.1	20.7
DuPont Analysis					
Net Margin (%)	7.3	6.8	10.8	9.4	6.9
Assets Turnover (x)	1.4	1.5	0.9	0.9	1.6
Leverage Factor (x)	1.81	1.62	1.32	1.96	1.83
ROE (%)	19.0	16.3	13.1	17.1	20.7
Leverage					
Debt/Asset (x)	0.1	0.0	0.0	0.3	0.2
Debt/Equity (x)	0.1	0.1	0.0	0.6	0.4
Net (Cash)/Debt	-6	-10	-63	57	45
Net Debt/Equity(x)	-0.16	-0.20	-0.56	0.55	0.30
Valuations					
Core EPS (sen)	1.1	1.3	2.2	2.6	4.5
DPS (sen)	0.0	0.2	0.3	0.5	0.9
BVPS (RM)	0.1	0.1	0.2	0.2	0.2
Core PER (x)	33.9	118.2	41.3	29.4	17.6
Net Dividend Yield (%)	0.0	0.2	0.2	0.4	0.7
PBV (x)	23.6	17.0	8.0	8.7	6.1

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
KJTS GROUP BHD	OP	1.32	2.12	60.6%	909.2	Y	12/2025	2.3	4.0	20.8%	71.1%	56.2	32.9	9.6	16.4%	0.5	0.4%
PEKAT GROUP BHD	OP	1.50	1.68	12.0%	967.5	Y	12/2025	7.2	8.5	109.0%	17.5%	20.9	17.8	3.7	24.0%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.24	1.43	15.3%	557.9	Y	06/2025	4.9	5.9	12.7%	21.6%	25.4	20.9	5.0	21.0%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	2.48	2.71	9.3%	1,963.4	Y	03/2026	9.2	10.9	35.8%	18.7%	27.0	22.7	4.9	20.2%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.40	NR	N.A.	224.3	Y	03/2026	2.4	2.7	21.8%	14.2%	15.8	14.1	N.A.	N.A.	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.270	0.600	122.2%	270.2	Y	09/2025	1.9	2.4	3.3%	26.3%	14.2	11.3	3.4	27.9%	0.0	0.0%
Sector Aggregate					**4,892.5**					**33.9%**	**28.2%**	**26.6**	**19.9**	**5.3**			**0.1%**

Source: Kenanga Research
**Note that Sunview numbers based on Bloomberg consensus*

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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Published by:

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